

Message Text

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ACTION EA-09

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TO SECSTATE WASHDC 7186

INFO CINCPAC

SECDEF WASHDC

JCS

CINCPACAF

CINCPACFLT

CINCPACREPPHIL SUBIC

CG 13TH AF CLARK

C O N F I D E N T I A L MANILA 9929

CINCPAC ALSO FOR POLAD

FROM USDEL 98

1. SUMMARY. U.S. AND PHIL NEGOTIATING PANELS MET BRIEFLY IN PLENARY SESSION MORNING JULY 8 AND THEN BROKE UP INTO WORKING GROUPS FOR REMAINDER OF DAY. PROGRESS WAS SPOTTY AND WAS HIGHLIGHTED, AT END OF WORKING DAY, BY PHIL PRESENTATION OF ARMED FORCES MODERNIZATION PACKAGE FROM WHICH "DEFENSE SUPPORT" WILL BE EXTRACTED. PACKAGE IS A VASTLY EXPANDED ACQUISITIONPROGRAM WHICH GOES WELL BEYOND FIVE YEAR PLAN WHICH AFP IS CURRENTLY WORKING WITH AND COSTS OUT IN THE BILLIONS OF DOLLARS. SINCE IT WAS PRESENTED INDIRECTLY THROUGH SECRETARIATS, AND SINCE NO RPT NO FIGURES ARE ATTACHED TO THE PLAN, IT IS CLEARLY INTENDED FOR MARKETPLACE BARGAINING. TEXT OF DOCUMENT WILL BE SENT SEPTEL. COMMAND AND CONTROL GROUP HAS REACHED GENERAL AGREEMENT ON MOST POINTS EXCEPT FOR SUBSTANCE OF JOINT SECURITY PLAN AND HOW IT WILL BE FOR-
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MULATED. FACILITIES GROUP WORKING ON NATURAL RESOURCES,

ESPECIALLY WATERSHEDS, AND LABOR GROUP WORKING ON GENERAL MATTERS, REMAINED FAIRLY WIDELY SEPARATED. PROBLEMS IN LABOR GROPS SEEM ENDEMIC, LARGELY BECAUSE UNDERSECRETARY INCIONG SEEMS TO FUNCTION AT CONSIDERABLE VARIANCE FROM STATEMENTS MADE BY ROMUALDEZ. END SUMMARY.

2. PLENARY SESSION. ROMUALDEZ EXPRESS GREAT SATISFACTION WITH PROGRESS OF WORKING GROUPS AND AGREED TO INQUIRE ABOUT DATE FOR BRIEFING OF PHIL NSC ON CLARK AND SUBIC, THEN ENDED PLENARY.

3. CHAIRMEN'S GROUP MEETING WAS DEVOTED ALMOST ENTIRELY TO COMMENTARY ON OBSTACLES ENCOUNTERED IN OTHER WORKING GROUPS. FOR EXAMPLE, IN DISCUSSING IMPASSE REACHED IN LABOR GROUP, ROMUALDEZ SUGGESTED THAT PHILS WOULD ACCEPT CONTINUING VALIDITY OF 1968 BASE LABOR AGREEMENT, AND WOULD MAKE REFERENCE TO IT IN TEXT OF AGREEMENT, SAYING THAT IT WOULD REMAIN VALID "EXCEPT AS MODIFIED BY PROVISIONS OF THIS AGREEMENT." ON TAXATION, HE ASKED WHETHER THERE COULD BE SOME PERIODIC REVIEW OF VOLUME AND VALUE OF SALES AT COMMISSARIES AND PX'S, IN ORDER TO COMPUTE THE EXCISE TAXES WHICH WOULD BE INVOLVED "IF WE DECIDE TO WAIVE THE TAXES." THIS GROUP'S MEETING WAS INTERRUPTED BY TELEPHONE CALL FROM DEFENSE SECRETARY ENRILE, WHO ASKED ROMUALDEZ TO COME TO HIS OFFICE TO RECEIVE THE STATEMENT ON "DEFENSE SUPPORT" RELEVANT TO PHIL ARTICLE XIX. MEETING WAS NEVER RESUMED, AND "DEFENSE SUPPORT" STATEMENT WAS DELIVERED THROUGH SECRETARIES GENERAL OF THE TWO DELEGATIONS.

4. OPERATION OF BASES. THE PHILS DID IN FACT REFLECT HIGHER AUTHORITY GUIDANCE REGARDING THE 7 JUNE SPECIFIC LANGUAGE REVISIONS TO PHIL ARTICLE III, IV AND V AND U.S. ARTICLES III AND IV. IN GENERAL THEIR REACTION WAS MORE FAVORABLE THAN EXPECTED AND SOME ADDITIONAL PROGRESS WAS MADE TODAY. THERE REMAIN RELATIVELY MINOR DISAGREEMENTS ON PROVISIONS FOR JOINT ISSUE OF DIRECTIVES APPLI-

CABLE THROUGHOUT THE BASE AND FOR SOLE SOURCES OF CONTACT (BOTH PHIL AND U. S.). THE REMAINING MAJOR ISSUE IS IN THE SECURITY AREA REGARDING FORMULATION OF A JOINT CONFIDENTIAL

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SECURITY PLAN, INCLUDING U.S. PARTICIPATION AT BASE ENTRANCES AND EXITS AND ACTIVITIES SUCH AS THE USE OF SHORE PATROL/AFP/TOWN PATROL. THE U.S. SIDE CATEGORICALLY STATED THIS TO BE A GUT ISSUE. IT IS POSSIBLE, MAYBE PROBABLE, THAT THE PHILS' OBJECTIONS ON THE SECURITY ISSUE IS IMAGE, NOT SO MUCH PRACTICES. SINCE THIS IS THE LAST DAY SCHEDULED FOR COMMAND, SECURITY AND ADMINISTRATION, GENERAL ESPINO CHOSE TO ELEVATE THE REMAINING ISSUES UPWARDS.

FACILITIES. WORKING GROUP COMPOETED DISCUSSION OF U.S. ART V, PARA 3 WITH PHIL STATEMENT THAT THEY ARE WILLING TO INCLUDE A PROVISION WHICH READS "THE PHILIPPINES WILL ENSURE THAT FUTURE DEVELOPMENT IN THE VICINITY OF THE FACILITIES WILL NOT HINDER OPERATION OF U.S. FORCES." THIS LEFT QUESTION OF WATER RESOURCES FOR CONSIDERATION ALONG WITH OTHER NATURAL RESOURCES. PHILS TOOK FIRM STAND THAT WATERSHED AREAS MUST BE RELINQUISHED TO GOP UNDER CONTROL PHILAPPINE COMMANDER FOR BOTH SECURITY AND MANAG-EMENT. THEY WERE EXPANSIVE IN THEIR PROPOSALS FOR GIVING GUARAN-TEES THAT WATERSHED WOULD BE PRESERVED AND THEY DEVELOPED IN COURSE OF DISCUSSION A COMPREHENSIVE OUTLINE FOR SUCH GUARANTEES, INCLUDING TRANSITIONAL PERIOD OF U.S. MANAGEMENT, WHICH THEY WILL NOW TURN INTO A NEW DRAFT ARTICLE. U.S. MAINTAINED POSITION THAT WATERSHEDS SHOULD BE INCLUDED IN U.S. FACILITIES. REMAIN- DER OF NATURAL RESOURCES ARTICLE PRODUCED ONLY MINOR DIFFERENCES.

6. LABOR. CONTINUED EXPLORATORY TALKS ON PARAGRAPHS OF PHIL ARTICLE XI REPORTED IN 7 JULY SUMMARY. WE VIEW THESE IN CONTEXT OF REQUESTED PHIL REVISIONS TO BASE LABOR AGREEMENT. THEY OBVIOUSLY VIEW THEM AS SOMETHING ELSE. HOWEVER, WE CONSIDER IT SUEFUL TO EXCHANGE INFOR- MATION ON THE SUBSTANCE OF PHIL DISSATISFACTION WITH BLA LOOKING TOWARD ADDITIONAL GUDANCE ON EXTENT OF PERMIS- SABLE REVISIONS AND ADDITIONS TO BLA WHICH IS SUBJECT OF SEPTTEL. THE BLA WITHOUT REVISION IS SIMPLY NOT ACCEPTABLE TO PHILS. AT BEGINNING OF AFTERNOON WORKING GROUP MEETING PHIL PANEL INFORMED THAT AMBASSADOR ROMUALDEZ HAD INFORMED AMBASSADOR SULLIVAN THAT THE 1968 BLA COULD BE MENTIONED AS A REFERENCE AND ITS VALIDITY COULD STAND SUBJECT TO SUCH CHANGES AS WOULD BE AGREED TO IN THE NEGOTIATIONS. UNDERSECRETARY INCIONG RESPONDED THAT HE

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HAD CONFERRED WITH ROMUALDEZ JUST TEN MINUTES PRIOR TO THE MEETING AND HIS INSTRUCTIONS WERE TO THE CONTRARY. ON THE HEELS OF THAT SHOCKER, DISCUSSION DIED. WE AGREED TO CONTINUE TALKING BUT IT WAS DESULTORY AND ON-PRODUCTIVE.

7. TAXATION. PHIL REP PROPOSED ACCEPTANCE OF AGREEMENT REACHED IN 1971-72 NEGOTIATIONS ON POST OFFICES AND WAS RECEPTIVE TO DISCUSSION DRAFT ON LOCAL PROCURE- MENT WITH MINOR MODIFICATIONS. PHIL REP PRESENTED DRAFTS ACKNOWLEDGING LIMITED TAX EXEMPTION FOR U.S. FORCE AND MEMBERS ON PROPERTY IMPORTATION, REAFFIRMED PHIL POSITION ON CONTRACTOR TAXATION AND SALES AND SERVIES, AND PRO- VIDED DRAFT OF DECLARATION TO BE USED BY U.S. PERSONNEL RELATIVE TO LOCAL INCOME. ACTION SEPTELS FOLLOW. SULLIVAN

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